

**Division of Healthcare Finance and Policy
Health Care Provider and Payer Cost Trend Hearings
Testimony of Ellen Zane, President and CEO
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Friday, March 19, 2010**

Good Morning, and thank you for this opportunity to testify with some of my very august colleagues and for the opportunity to discuss strategies to mitigate healthcare cost growth. I would first like to commend you, Commissioner Morales, Governor Patrick and administration officials, the Attorney General and the Legislature for recognizing this critical issue and for taking action to address the problems in one of the Commonwealth's most important industries...an industry that creates hundreds of thousands of jobs in the Commonwealth...an industry that is regarded among the nation's finest.

I would specifically like to commend you and the Attorney General for the reports you have produced which have very astutely pointed out the areas where we need more scrutiny, transparency and change in our course of action. The AG and DHCFP reports demonstrate how market pricing disparities, consumer behavior, employer demands, health plan practices and government under funding all play inter-related parts in the cost trends we are experiencing.

To address these issues and move forward in a manner that ensures high quality healthcare for all of our citizens and a strong and vibrant healthcare industry, I believe we must look into:

- 1. Integration**
- 2. Providing care in the most appropriate location**
- 3. Limited network products**
- 4. Government payment**

Creating a truly integrated system

I have gained many years of experience learning to integrate doctors, the services they provide and hospitals. And I can tell you, it's not easy. There's no silver bullet and "one size doesn't fit all." It certainly doesn't happen overnight. There is a great deal that goes into meeting the goals of better quality, true integration and savings in the long run.

I believe there are innate perverse incentives in the current fee for service system and that global payments will better align incentives, thus facilitating integration. However, global payments, in and of themselves, will not address the underlying problems. It is very important to understand that a low cost fee for service provider will have a much lower cost trend than a high cost globally paid provider. If we bake in the current market inequities we will have accomplished nothing.